

**DIRECT TESTIMONY OF**

**O'NEIL O. MORGAN**

**ON BEHALF OF**

**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2021-88-E**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

2 A. My name is O'Neil O. Morgan. My business address is 1401 Main Street, Suite  
3 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a  
4 Senior Engineer in the Utility Rates and Services Division of the Office of Regulatory Staff  
5 ("ORS").

6 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

7 A. I received a Bachelor of Engineering degree in Mechanical Engineering from the  
8 University of Technology, Jamaica in 2006 and a Master of Science degree in Engineering  
9 Management from Florida International University in 2008. I have worked in the energy  
10 industry for over sixteen (16) years and prior to my employment at ORS, served in a variety  
11 of positions developing and implementing demand side management and energy efficiency  
12 programs for multiple investor-owned utilities in the United States. I joined ORS in  
13 November 2019 and assumed my current position.

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE**  
15 **COMMISSION OF SOUTH CAROLINA ("COMMISSION")?**

16 A. Yes. I have testified on two (2) separate occasions before the Commission in  
17 matters related to annual fuel clause proceedings.

**Q. WHAT IS THE MISSION OF ORS?**

A. ORS represents the public interest as defined by the South Carolina General Assembly to mean:

[T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

**Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING, AND HOW DOES YOUR DIRECT TESTIMONY REPRESENT THE PUBLIC INTEREST?**

A. The purpose of my testimony is to set forth the results of ORS's examination of Dominion Energy South Carolina, Inc.'s ("DESC" or "Company") compliance with certain sections of the South Carolina Energy Freedom Act ("Act 62" or the "Act") and to support any recommendations resulting from ORS's review of the Company's filings in this docket. By reviewing the Company's avoided cost methodologies and the resulting avoided energy and avoided capacity rates to ensure compliance with applicable statutes and Commission Orders, my direct testimony represents the public interest.

**Q. WERE THE REVIEW AND ANALYSES PERFORMED BY YOU OR OTHERS UNDER YOUR DIRECT SUPERVISION?**

A. Yes. The review and analyses to which I testify were performed by me or others under my direct supervision.

**Q. DID ORS RETAIN ANY EXPERT WITNESSES FOR THIS PROCEEDING?**

A. Yes. ORS retained one (1) expert witness for this proceeding: Brian Horii, a Senior Partner with Energy and Environmental Economics, Inc. ("E3").

**Q. WHAT IS THE PURPOSE OF WITNESS HORII'S DIRECT TESTIMONY IN THIS PROCEEDING?**

A. The purpose of Witness Horii's Direct Testimony is to discuss E3's analysis of the Company's standard offers, avoided cost methodologies, form contract power purchase agreements ("PPAs"), commitment to sell forms, and corresponding terms and conditions. All forms, including terms and conditions, were reviewed for compliance with the Act, regulations and orders promulgated by the Federal Energy Regulatory Commission ("FERC"), the Public Utility Regulatory Policies Act of 1978 ("PURPA"), industry standards, and Commission orders. E3 also examined the Company's integrated resource plans, avoided capacity and energy cost calculations, and variable integration charge ("VIC"). Details of these analyses and examinations are contained in the Direct Testimony of Witness Brian Horii.

**Q. UNDER ACT 62, WHAT ELEMENTS INFORMED YOUR REVIEW OF THE COMPANY'S FILINGS?**

A. ORS relied on the requirements provided in S.C. Code Ann. § 58-41-20(A), which was enacted as part of Act 62. Specifically, that section, in part, states:

Any decisions by the commission shall be just and reasonable to the ratepayers of the electrical utility, in the public interest, consistent with PURPA and the FERC's implementing regulations and orders, and nondiscriminatory to small power producers; and shall strive to reduce the risk placed on the using and consuming public.

**Q. WHAT DOES SECTION 58-41-20(A) OF ACT 62 REQUIRE?**

A. The Act requires, and the Company's filing includes, the following items:

- 1) Standard Offer;
- 2) Avoided cost methodologies;

3) Form contract PPAs;

4) Commitment to sell forms; and

5) Other terms or conditions necessary to implement this section of Act 62.

**Q. WHAT DOES ACT 62 REQUIRE FOR NON-STANDARD OFFER PPAS?**

A. The non-standard offer PPAs are required, at a minimum, to contain provisions for force majeure, indemnification, choice of venue, and confidentiality. In addition to these provisions, the Company's non-standard offer PPAs also address various generation technologies and other project specific characteristics, such as energy storage. The Company's non-standard offer PPAs do not specify any predetermined contract price or length of contract term.

**Q. HOW OFTEN IS THE COMPANY REQUIRED TO UPDATE THE COMPONENTS REQUIRED UNDER SECTION 58-41-20(A)?**

A. Once the components are established initially, section 58-41-20(A) states, [a]t least once every twenty-four months thereafter, the commission shall approve each electric utility's standard offer, avoided cost methodologies, form contract power purchase agreements, commitment to sell forms, and any other terms or conditions necessary to implement this section. Act 62 allows the Commission the flexibility and discretion to determine the actual timeframe within that twenty-four month period.

**Q. WHO PAYS THE COSTS FOR PURPA'S MANDATORY PURCHASE OBLIGATION REFERENCED ON PAGE 4 OF COMPANY WITNESS FOLSOM'S DIRECT TESTIMONY?**

A. PURPA provides Qualified Facilities ("QFs") the right to interconnect with the Company's electrical grid and requires the Company to purchase the QFs' energy and capacity at the Company's "avoided cost." The energy and capacity costs paid by the

Company to QFs ultimately are paid by all customers on an annual basis under the Company's Fuel Adjustment Clauses pursuant to S.C. Code Ann. § 58-27-865. Therefore, it is of vital importance that the avoided cost methodologies employed by the Company and the resulting avoided energy and avoided capacity rates fully, fairly, and accurately reflect and account for costs avoided or incurred by the Company in accordance with S.C. Code Ann. § 58-41-20(B)(3) enacted as part of Act 62. Witness Horii addresses the avoided cost methodologies and the resulting calculations in his Direct Testimony.

**Q. HOW DOES THE VIC PROPOSED BY THE COMPANY IMPACT CUSTOMERS?**

A. The Company's proposed VIC represents the Company's efforts to account for the costs of additional ancillary services incurred by the Company to integrate additional solar generation safely and reliably onto their electric system. The proposed VIC is designed to assign costs to the QFs that cause the Company to incur the costs to integrate solar generation. This rate design minimizes the risk to the Company's customers by directly assigning integration costs to the QF. Section 58-41-20(B)(3) requires that these ancillary costs be accounted for in the avoided cost methodologies employed by the Company. One of the challenges in setting a fair and balanced VIC is to establish a rate that benefits the Company's customers by limiting the risk of subsidization. Details regarding the Company's proposed VIC, and its application in this docket, are contained in the Direct Testimony of Witness Horii.

**Q. PLEASE EXPLAIN ORS'S RECOMMENDATION RELATED TO THE COMPANY'S PROPOSED VIC.**

A. As noted on page 9 of Company Witness David's Direct Testimony the ideal 1-hour ahead advance schedule data needed to calculate the marginal Operating Reserve for

each solar generation was not available. Although the Company used the 4-hour ahead of schedule data available to calculate the marginal Operating Reserve requirement, there is still a level of uncertainty of solar generation and the needed level of incremental operating reserves. For this reason, ORS recommends that the VIC be left unchanged and remain subject to a future true up in accordance with Order No. 2020-244. This is addressed in more detail in the Direct Testimony of Witness Horii.

**Q. PLEASE EXPLAIN ORS'S POSITION ON TO THE COMPANY'S PROPOSED AVOIDED ENERGY COSTS AND RESULTING PR-1 AND PR-STANDARD OFFER ENERGY CREDITS.**

A. ORS reviewed the proposed modifications and concludes the Company applied the approved avoided cost methodology to calculate avoided energy costs in a manner consistent with Commission orders.

**Q. PLEASE EXPLAIN ORS'S RECOMMENDATIONS FOR THE COMPANY'S PROPOSED AVOIDED CAPACITY COSTS.**

A. ORS has two (2) recommendations to improve the calculation of the avoided capacity costs: 1) correct the mismatch between the assumed capacity change used in the Change Case and the assumed size of the new generating unit used in the analysis, and 2) correct the reference year that was used in the analysis from 2020 to 2022. Detailed explanations of these recommendations are contained in the Direct Testimony of Witness Horii.

1 **Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION**  
2 **THAT BECOMES AVAILABLE?**

3 A. Yes. ORS fully reserves the right to revise its recommendations via supplemental  
4 testimony should new information not previously provided by the Company or other  
5 sources become available.

6 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

7 A. Yes.